

Borders UK enters administration

The UK bookshop chain Borders - sold by its US parent of the same name just two years ago - has collapsed into administration.

The UK Borders, which also owns Books, Etc., is continuing to trade although that position is under review.

Administrators MCR say that Borders problems stem from the credit crunch: unable to raise sufficient capital, publishers have been reluctant to send books on credit terms due to uncertainty of future payments.

The company has been known to be strapped for cash for some time. Earlier this year, it was bought by a venture capital company Valco.

Some blame has been laid at the door of credit insurer Atridius. But the insurer told the BBC "the management team were made fully aware of the lack of trade credit insurance prior to the management buyout earlier this year. It is therefore clear that trade credit insurers played no part its downfall. Withdrawal of trade credit insurance is a symptom of a business in jeopardy, not a cause of its demise."

Borders strategy has been to take large spaces and fill them with a huge array of books. But worldwide, books have become a marginal commodity as discretionary spending has fallen.

In Kuala Lumpur, the USA's subsidiary sells US issues of books, where-ver they originate, a fact that wrankles those who want to read English books with English spelling. Two years after opening is flagship shop in a large shopping mall it has cut its floor space by almost 50%.

Elsewhere, the chain has admitted to problems.

Therefore, although the UK operation is independent, the problems are not isolated.

Borders UK turned off its books on-line ordering service on the 24th November but some other parts of the site continued to accept orders but the website is closed except for an administrators announcement.

Or at least, that's how it first appears: simply picking up a departmental link from a search engine bypasses the front-page caveat. We were able to start the ordering process for CDs when we tried it on 27 November, the day after the company went into administration.

The Books Etc. chain, which once appeared set to rival Waterstones, has shrunk to just 9 shops. Borders has a further 36 trading under its own name.